

Marty Lambert, Gallatin County Attorney
Gallatin County Attorney's Office
1709 West College
Bozeman, Montana 59715
Telephone: (406) 582-3745
Fax: (406) 582-3758
E-mail: marty.lambert@gallatin.mt.gov

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Jesse Laslovich
Special Assistant Attorney General
Special Deputy Gallatin County Attorney
840 Helena Avenue
Helena, MT 59601
Telephone: (406) 444-2040
Facsimile: (406) 444-3499
Email: jlaslovich2@mt.gov

MONTANA EIGHTEENTH JUDICIAL DISTRICT COURT, GALLATIN COUNTY

THE STATE OF MONTANA,

No. DC-12-37A

Plaintiff,

v.

RICHARD F. REYNOLDS a/k/a
RICHARD F. ADKINS,

Defendant.

AFFIDAVIT OF PROBABLE CAUSE
AND MOTION FOR LEAVE TO FILE
SECOND AMENDED INFORMATION

* * * * *

Marty Lambert, Gallatin County Attorney, and being first duly sworn upon oath, deposes and says as follows:

1. That your affiant is the Gallatin County Attorney and by law is responsible for prosecuting criminal matters in Gallatin County on behalf of the State of Montana.

2. A report of investigation was prepared by Lynne Egan

(Egan), Montana's Deputy Commissioner of Securities for the office of the Commissioner of Securities and Insurance, Montana State Auditor (CSI). Egan is a forensics accountant who has worked for the CSI for approximately 19 years as a Securities Examiner and Deputy Commissioner of Securities. Prior to her work at the CSI, she was an income tax compliance officer for the Montana Department of Revenue for 3 years and worked for D.A. Davidson for 10 years as a branch manager. She has served as an expert witness in many securities-related cases and has extensive training and experience relating to securities regulation. Based on Egan's report, your affiant is aware of the following.

3. The Defendant and his wife, Lori Reynolds (Lori), are residents of Bozeman, Montana. Based on a review of the records filed with the Montana Secretary of State, one or both are affiliated in the following capacities:

- a. The Defendant is owner of United Consultant Investment Corporation (United), which has as its listed address 1627 W. Main St., Suite 301, Bozeman, MT 59715. United is a Montana corporation, ID # D191181. It was incorporated on January 12, 2009, and was involuntarily dissolved on December 1, 2010.
- b. Lori is President of The Buffalo Extension LLP (Buffalo Extension) and the Defendant is Manager of

the entity. Buffalo Extension is a Montana partnership, ID # P175816, located at 1425 W. Main St., Suite E, Bozeman, MT 59715. It was incorporated on March 5, 2010, and is still in good standing with the State of Montana.

c. The Defendant is the general principal of Buffalo Exchange, LLP (Buffalo Exchange), which has a listed address of 1425 W. Main St., Suite E, Bozeman, MT 59715. Buffalo Exchange is a Montana partnership, ID # P170357, formed on September 2, 2009, and is still in good standing with the State of Montana.

d. Lori is President of Plus 5 Market, Inc. (Plus 5) and the Defendant is Manager of the entity. Plus 5 is a Montana corporation, ID # D206575, located at 1627 W. Main St., Suite 301, Bozeman, MT 59715. It was incorporated on July 21, 2010, and was involuntarily dissolved on December 1, 2011.

e. Lori is President of Real World Direct, Inc. (Real World Direct) and the Defendant is Manager of the entity. Real World Direct is a Montana corporation, ID # D197500, located at 1627 W. Main St., Suite 301, Bozeman, MT 59715. It was incorporated on

September 2, 2009, and was involuntarily dissolved on December 1, 2010.

f. Lori is President of Real Cost Plus, Inc. (Real Cost Plus) and the Defendant is Manager of the entity.

Real Cost Plus is a Montana corporation, ID # D197498, located at 1627 W. Main St., Suite 301, Bozeman, MT 59715. It was incorporated on September 2, 2009, and involuntarily dissolved on December 1, 2010.

g. The Defendant is Owner and Manager of Sharevalue Montana, Inc. (Sharevalue). Sharevalue is a Montana corporation, ID # D189264, whose registered agent is the Defendant with a listed address of 1627 W. Main St., Suite 301, Bozeman, MT 59715. It was incorporated on October 21, 2008, and was involuntarily dissolved on December 1, 2010.

h. The Defendant is the sole director of Buffalo Investment Group, Inc., (Buffalo Investment), which is not registered with the Montana Secretary of State. A review of the Nevada Secretary of State records shows that Buffalo Investment was formed on March 31, 2011, tax ID # 27-3085618, and lists a

business address of P.O. Box 4470, Lake Tahoe, NV
89449.

4. A review of the CSI internal database and the Securities and Exchange Commission's (SEC) EDGAR database, which contain securities filings for all interstate securities offerings, and the Financial Regulatory Authority's (FINRA) Central Registration Depository (CRD), which maintains registration filings for all broker-dealer firms, show that none of foregoing entities in ¶3 are now, nor have they ever been, registered as a broker-dealer firm or issuer, or in any other capacity with the CSI, the SEC, or FINRA.

5. A review of the CSI's internal database and the CRD also shows that the Defendant is not now, nor has he ever been, registered as a securities broker-dealer or salesperson with the CSI or FINRA.

6. State securities officials in Alabama and Missouri have taken action against Defendant and his businesses. On January 26, 2009, Matthew Kitzi, Commissioner of Securities for the State of Missouri, issued an Order to Cease and Desist and Order to Show Cause why Civil Penalties and Costs Should not be Imposed, directed to the following Respondents:

ServeShareValue, Inc.
2415 W. Main Street
Bozeman, Montana 59718-3808

Richard F. Reynolds
18925 S. Ash Street
Belton, Missouri 64012-8900
and
P.). Box 3622
Bozeman, MT 59772-3622

On May 28, 2009, Commissioner Kitzi issued a Final Cease and Desist Order directed to the same Respondents. The order specified that Defendant and ServeShareValue were to pay penalties and reimbursement costs of \$18,000.00 to the State of Missouri. As of the date of this Affidavit, Respondents have paid none of the ordered penalties or costs.

7. On May 29, 2012, Joseph Borg, Director of the Alabama Securities Commission, issued Cease and Desist Orders, and Orders to Vacate, directed to the following persons and businesses:

Buffalo Extension, LLP
Buffalo Exchange, LLP
Richard Reynolds, aka Richard Adkins
Charles Hammett
Harold Christopher Poole

Based on the Statement of Facts set forth in the Alabama orders, Defendant was a manager of Buffalo Extension and a partner of Buffalo Exchange. The street addresses for the

businesses were 1425 West Main Street, Suite E, Bozeman, Montana 59715 for Buffalo Exchange, and 1425 West Main Street, Suite 301, Bozeman, Montana 59715 for Buffalo Extension. Mr. Borg's fact findings indicate that investments were being solicited for Buffalo Extension on May 14, 2010, and on December 22, 2010.

8. On or about June 29, 2010, C.S., a Bozeman, Montana, resident and former employee for several of the Defendant's companies and for the Defendant personally from October 2009 through January 2010, contacted the CSI. C.S. was an administrative assistant for the Defendant. She reported that the Defendant was operating two investment companies within the state of Montana, namely Buffalo Exchange and Buffalo Extension. C.S. was concerned that the Defendant was soliciting investments in Buffalo Exchange and Buffalo Extension, and then using the investors' funds for personal use and to pay previous investors.

9. On or about June 29, 2010, R.S., a Bozeman, Montana, resident and a former employee for several of the Defendant's companies and for the Defendant personally from November 2009 through July 2010, contacted the CSI. R.S. was also an administrative assistant for the Defendant. She reported that she saw and heard the Defendant talking with salespersons for Buffalo Exchange and Buffalo Extension located in other states. She

reported to the CSI that the Defendant was raising money from investors, and using these funds to pay previous investors and for his own personal purposes.

10. Both C.S. and R.S. told the CSI that the Defendant owned United, an umbrella company. They stated that underneath United were what they viewed as "pyramid schemes" established by the Defendant, namely Plus 5 (formerly Sharevalue) and Real Cost Plus.

11. On or about January 15, 2012, R.F., a Chesapeake, Virginia, resident and former employee for several of the Defendant's companies and for the Defendant personally from approximately November 2010 through June 2011, spoke with the CSI. R.F. was also an administrative assistant for the Defendant. R.F. said that she answered investor phone calls, referred investor inquiries to the Defendant, and prepared investor statements. R.F. said that the Defendant would send her a spreadsheet with numbers for each investor and she personally typed the numbers into the investor statements. A CSI review of the statements shows that the statements always showed a positive performance, often in the double digit range, even when the markets were experiencing downturns. A CSI review also shows that the statements contain numerous math and spelling errors.

12. On or about March 21, 2011, L.W., a Bozeman, Montana, resident and former employee for several of the Defendant's companies and for the Defendant personally during the Spring of 2011, contacted the CSI. L.W. was an administrative assistant for the Defendant. She told the CSI that she was concerned that the Defendant was engaging in illegal activities and that "he is not concerned about who he hurts - seniors, and even single parents with kids." L.W. reported that the Defendant used a group of people in other states who solicited investments for the Defendant. She provided the CSI with a spreadsheet that included a list of approximately 78 investors, along with their email addresses, phone numbers, physical addresses, deposit dates, amounts invested, documents out date, documents in date, and the name of the solicitor for each investment.

13. The CSI contacted most of the investors listed on L.W.'s spreadsheet. The investors complained that they tried to access their money, but the Defendant would not return calls or respond to emails.

14. According to the investors, the Defendant solicited the investors to invest in a purported foreign currency investment trading platform through Buffalo Extension and Buffalo Exchange and in a gold investment opportunity through Buffalo Investment.

In the course of the solicitation, the Defendant provided investors offering materials. According to the CSI's internal database and the SEC's EDGAR database, neither the investments nor the offering materials were reviewed by, approved by, or registered with the State of Montana, any other state securities department, or the SEC.

15. According to the investors and the marketing materials provided to them by the Defendant, the Defendant promised returns of 100 percent quarterly and regularly issued statements to investors showing such returns. This was confirmed by the CSI after a CSI review of copies of the marketing materials and disclosure documents created by the Defendant.

16. Additionally, according to investors, the Defendant solicited funds for an alleged investment in KAT Exploration, a mineral exploration company.

17. On February 16, 2012, the CSI spoke with J.H., a promoter and control person for Tenas Lake Mining, LLC (Tenas). According to J.H., Tenas properly developed a Regulation D, Rule 506 offering to raise money for its mining operation. The Defendant contacted J.H. and told him that he could help J.H. raise money, after which J.H. gave the Defendant drafts of Tenas' offering documents. J.H., however, found that the Defendant had

securities problems in Missouri and Montana and in May 2011, informed the Defendant that he did not want to work with him. J.H. has not heard from the Defendant since.

18. Based on the CSI's investigation and according to J.H., the Defendant used the draft offering documents to solicit D.B., C.G., and C.T. to invest in Tenas without the approval of J.H. and Tenas. D.B., C.G., and C.T., collectively, invested \$125,000 in what they thought was Tenas; however, according to J.H., Tenas never received the money.

19. Additionally, according to L.W., the Defendant used his affinity with various ministers, pastors, evangelists, and other church-related people (collectively "pastors") to solicit investors into his scheme. During the course of the investigation, the CSI identified Sam Scaggs, David Harper, Robert Perry, Charles Hammett, Chris Berglund, Chris Poole, Salvador Lee, and Todd Ganovski as the pastors who solicited investors for the Defendant. The CSI has spoken with all of them.

20. According to the pastors, the Defendant paid the pastors approximately 10% of the money the pastors introduced to the Defendant for his scheme. The pastors became employees of the Defendant and the Defendant issued them W-2's for their earnings.

21. The pastors told the CSI that they thought all of the money was being invested as the Defendant had represented, namely foreign currency trading or gold opportunities.

22. In the fall of 2011, the pastors told the CSI that they became suspicious of the Defendant because the Defendant cut off contact, did not return investor money when investors requested, and started making promises that the pastors believed he could not keep.

23. As a result of the information obtained from C.S., R.S., L.W., the investors, and the pastors, the CSI initiated an investigation into the business dealings of the Defendant. The CSI sought and obtained an Investigative Subpoena to receive copies of all of the bank records of the Defendant and Lori. After a CSI review of the bank records, the CSI determined that the Defendant and Lori are associated with 31 bank accounts at Bank of America and Wells Fargo.

24. A review of the bank records obtained pursuant to the Investigative Subpoena showed that the Defendant and Lori received at least \$5,388,343 in investment funds from over 140 investors located in Montana, Alabama, Arkansas, California, Colorado, Florida, Georgia, Illinois, Louisiana, Maryland, Michigan, Mississippi, Missouri, New York, North Carolina, Tennessee, Texas,

Virginia, Washington, Wisconsin, Canada, Germany, South Korea, and Russia. A review of bank records indicated that the Defendant did not invest investor funds in foreign currency trading or gold opportunities. Instead, the Defendant and Lori used the investor funds for personal use and to pay previous investors who demanded access to their funds.

25. For example, a CSI review of the bank records showed the following:

a. Between February 10, 2010, and August 23, 2011, the Defendant and Lori conducted at least 44 separate banking transactions through which they transferred a total of \$409,750.50 in investor proceeds to Wells Fargo and Bank of America accounts registered to Real Cost Plus and Real World Direct. These funds were used by the Defendant and his wife for personal expenses and other non-investment uses.

b. Between October 6, 2009, and August 12, 2011, the Defendant and his wife conducted at least 137 separate banking transactions through which they transferred a total of \$411,575.54 in investor proceeds into Wells Fargo and Bank of America accounts registered to Plus 5. These funds were used by the Defendant and his wife for personal expenses and other non-investment uses.

26. Additionally, during the course of its investigation the CSI obtained from E*Trade Securities, Inc., copies of statements for the Defendant's and Lori's E*Trade Securities brokerage account. A CSI review of the statements shows the following:

a. Over 10 separate occasions, the Defendant and Lori wired a total of \$725,500 in investor funds into their personal E*Trade Securities brokerage account. The CSI has traced the funds and identified the specific investors whose funds were transferred. After losing \$314,015 of the investor funds through speculative penny stock trading, the Defendant and his wife transferred \$230,750 from the E*Trade account to a Bank of America joint checking account. They used these funds for a variety of personal purposes, including but not limited to ATM cash withdrawals, travel, dining, and paying at least \$35,000 toward the purchase of a home from D.D.

b. Between February of 2011 and February of 2012, , the Defendant and Lori wrote checks from their E*Trade account to purchase three personal vehicles, totaling almost \$85,000.

c. As of the filing of the Information on February 22, 2012, the E*Trade account balance had dwindled from \$725,500 to a balance of \$5.16.

27. The investors whose investment funds were deposited in the E*Trade account told the CSI that they believed they were investing in a foreign currency trading platform, and none authorized the Defendant's or Lori's use of their funds for personal investment at E*Trade Securities trading, for the purchase of vehicles, or for the purchase of a home.

28. Additionally, on December 21, 2011, the CSI spoke with Happy Jack Feder (Feder), the manager and 51% owner of Moonhair Films, LLC (Moonhair), a Montana production company, C191060, located in Helena, Montana. Feder told the CSI that the Defendant, personally, was a 49% owner in a movie Moonhair was producing regarding an Indian heroine. According to Feder and confirmed by the CSI after a review of the Defendant's bank records, the Defendant, personally, invested approximately \$101,000 over eight separate occasions. After a review of the Defendant's bank records, the CSI has identified the investors whose funds were used and has spoken with all of them. All of the investors believed they were investing in a foreign currency

trading platform and none authorized the Defendant's use of their funds for personal investment in Moonhair.

29. During the course of its investigation, the CSI also spoke with Kari Albro (Albro), who was the general partner and principal of Life Giving Health Center, LLP, (the Center), ID # P164425, located at 1005 W. Durston, Bozeman, Montana 59715. The Center offered massages and educational classes and according to Albro, the Defendant held an undetermined number of ownership shares in the Center. A CSI review of the bank records shows that over at least 37 separate occasions, the Defendant paid at least \$106,709 of investor funds to the Center and Albro personally. According to Albro, these funds were used to purchase shares in the partnership. The investors whose funds were used told the CSI that they believed they were investing in a foreign currency trading platform, and none authorized the Defendant's use of their funds for personal investment in the Center.

30. According to the CSI's internal database and the SEC's EDGAR database, neither the securities offered by the Defendant nor the offering materials provided to the investors by the Defendant, were reviewed by, approved by, or registered with the State of Montana, any other securities department, or the SEC.

31. During the course of its investigation, the CSI learned that on November 21, 2011, the Defendant met with Robert Perry and investors S.K. and R.H. Robert Perry and investors S.K. and R.H. told the CSI that the Defendant admitted that while some of the initial investor funds were properly invested, his personal costs got too big and he began using investor funds for his own personal use. They told the CSI that the Defendant admitted that he had lied about the existence of the foreign currency trading platform, had fabricated account statements, and had used most of investor funds for personal use. They told the CSI that the Defendant told them that he was "worried" about the consequences of his "fraud."

32. Based on the CSI's investigation and after a CSI review of the Defendant's bank records, the Defendant has misappropriated approximately \$5,388,343 in investor money. Over 140 investors "invested" in the Defendant's scheme. Of the \$5,388,343, in misappropriated money, the Defendant used approximately \$4,367,425.11 for his or Lori's own personal use and used approximately \$1,020,917.89 for his Ponzi scheme.

33. In January 2012, the Defendant contacted the CSI and expressed a willingness to talk. The CSI subsequently emailed the Defendant to set up a time to talk and the Defendant responded that he would talk with his lawyer and then get back to the CSI.

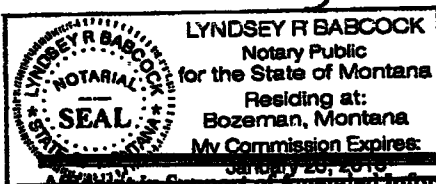
As of February 22, 2102, the date the original Information was filed, Defendant had not contacted the CSI.

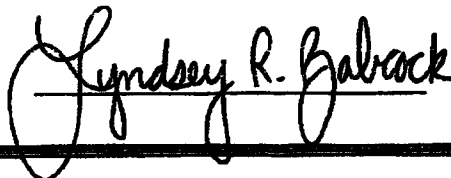
Based upon the foregoing facts, the undersigned moves the Court for leave to file an Amended Information charging the Defendant with the crimes of: COUNT 1: Operating a Pyramid Promotional Scheme (Ponzi Scheme), a Felony, in violation of §§ 30-10-324(6) (b) and 30-10-325, MCA; COUNT 2: Theft by Embezzlement, as part of a common scheme, a Felony, in violation of § 45-6-301(7) (b), MCA; COUNT 3: Failure to Register as a Securities Salesperson, a Felony, in violation of § 30-10-201(1), MCA; COUNT 4: Failure to Register a Security, a Felony, in violation of § 30-10-202(1), MCA; COUNT 5: Fraudulent Practices, a Felony, in violation of §30-10-301(1) (b), MCA; and COUNT 6: Fraudulent Practices, a Felony, in violation of §30-10-301(1) (c) and the Administrative Rules of Montana §6.10.401(1) (q).

DATED this 22 day of October, 2013.


Marty Lambert
Gallatin County Attorney

SUBSCRIBED and SWORN to before me this 22nd day of October, 2013, by Marty Lambert.




Lyndsey R. Babcock

Affidavit in Support of Amended Information